R4225-2-F

BUSINESS CLIMATE
TAX INDEX

The Corporation for Enterprise Development

January 1987

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BUSINESS CLIMATE TAX INDEX

A thorough literature review -- conducted as background for the 1987 study *Making the Grade: The Development Report Card For the States* -- of major research which addresses the relationship between tax levels and business growth strongly supports the conclusion that state and local taxes are not an important influence on business investment decisions.* More specifically, the evidence lends support to an economic development policy that rejects the use of state tax expenditures to stimulate job creation, and suggests the following lessons:

- State and local taxes are only one factor among many in complex plant location decisions. Firms consider access to markets, availability of labor and materials, costs, local amenities and integration with other facilities when choosing a plant site. Taxes enter the equation as one part of the cost factor.

- As a direct cost to business, state and local taxes are small and the variation in other costs, such as labor and transportation, overwhelms interregional differences in taxes. When the impact of taxes on profit rates for new investment is measured, fairly modest differences in rates of return are attributable to state and local taxes.

- Business executives themselves, in numerous surveys conducted over three decades, consistently point to factors other than taxes as the major items that they consider when making location decisions.

- The interstate impact of taxes on economic development is further mitigated by the limited types of business investment decisions where taxes are considered. New business start-ups and on-site expansions, which account for a large share of job growth, are largely insensitive to tax considerations. Firm or plant relocations are most likely to be influenced by tax costs but account for a very small share of job growth. New branch plant locations are the one important source of job creation where taxes are a location factor, although a secondary one. Consequently, interstate tax differentials are irrelevant to the investment decisions responsible for a majority of state job creation.

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* See *The Role of Taxation in Economic Development*. Both *The Role of Taxation* and *Making the Grade* are available from The Corporation for Enterprise Development.

- Econometric studies that have attempted to measure the impact of taxes on state and metropolitan economic growth are inconclusive. Most studies of taxes and interstate growth support the view that taxes have little or no effect on state economic development, although some have found a negative impact. Research on how taxes influence firm location within a metropolitan area have mixed results. Some studies find no effect while others point to higher property taxes retarding firm location. Several methodological problems in these studies further limit their value as a guide to policy.

These conclusions, however, do not mean that state governments should ignore tax policy in their efforts to further economic development. While state and local taxes are not a major factor in economic development, certain characteristics of state tax systems and tax policies help create a supportive environment for shared and sustainable economic development. State fiscal policy helps shape the social and economic climate for businesses. It also influences how people invest in future development. Instead of luring new branch plants through lowering taxes and offering tax incentives, states can implement a tax system and tax policies that create stable and attractive conditions for enterprise.

These conditions may include:

- a balanced use of major taxes which prevents any single tax from becoming unduly distorting and helps insulate revenues from recession and economic shocks;

- a stable fiscal system that can support needed services while tax and spending levels fluctuate, in which prudent fiscal controls guard against excessive spending, borrowing or deficits;

- a fair tax system that treats all taxpayers equally and minimizes the regressive aspects of different taxes; and

- the relatively equal capacity of communities within a state to deliver essential services.

Thus, an effective tax policy for economic development should focus on issues of tax *structure* and *administration*. This *Business Climate Tax Index* measures how well a state's revenue mix, fiscal policies and tax laws achieve a supportive environment for shared and sustainable growth. These crucial environmental conditions are measured through three separate indexes. The three indexes are then summed to produce a final index score and rankings. An explanation of each index and the resulting scores is presented below, followed by a brief summary of the final rankings.

Fiscal Stability and Balanced Revenue Sources

A *balanced revenue system* that relies on a variety of taxes serves several purposes. When revenues are raised fairly equally from several different taxes, a state is unlikely to have high tax burdens for any single tax. The use of balanced revenue sources also reduces a state's vulnerability to large revenue fluctuation during recessions, sectoral decline or economic shocks. Since there is no perfect tax, a final reason for employing a good mix of taxes is to limit the inequities and inefficiencies that result from any single tax.

To measure a balanced revenue system, the share of total state and local own-source revenues (i.e., all revenues exclusive of federal aid), provided by four separate taxes was evaluated. The four taxes are personal income taxes, general sales taxes, property taxes and other taxes. Personal income, sales and property taxes are used because they are the three most important taxes used by state and local governments. By relying on a balance of these taxes, a stable tax structure, which obviates the need for band-aid solutions or undue reliance on special excise or other taxes, can be developed. Other taxes are included to measure both how well states used other taxes to keep the major taxes in a moderate range as well as if a state is extremely dependent on another revenue source.

Points were assigned based on how well each separate tax compared with an "ideal" range that would result in a well balanced and diversified revenue system. Points were assigned using 1984 data from *Significant Features of Fiscal Federalism 1985-1986 Edition* issued by the Advisory Commission on Intergovernmental Relations (ACIR) according to the following formulas:

- States received 30 points if personal income taxes account for 20 to 30 percent of state and local own-source revenues. Two points were deducted for every percentage point below 20 percent and one point was deducted for every percentage point above 30 percent.

- States received 22.5 points if general sales tax revenues account for 15 to 25 percent of state and local own-source revenues. Two points were deducted for every percentage point outside this range.

- States received 22.5 points if property tax revenues account for 15 to 25 percent of state and local own-source revenues. Two points were deducted for every percentage point above 25 percent and one point was deducted for every percentage point below 15 percent.

- States received 15 points if other tax revenues account for 10 to 20 percent of state and local own-source revenues. One point was deducted for every percentage point outside this range.

Since business investments are long term commitments to an area, an important consideration for business when investing is the likelihood that the quality of services and the level of taxation will remain stable over time. In addition, states must now pay greater attention to fiscal stability with the decline in federal aid and the increased vulnerability of state economies to recession and sectoral decline.

To address these fiscal shocks without resorting to tax increases and service cuts, states need to have reserve funds available. *Fiscal stability* is also enhanced when spending, both direct spending and tax expenditures, are subject to close scrutiny and control.

Ideally, a fiscal stability index would include a measure of the economic elasticity of a state's revenue system, since a state's revenues would be more stable the less they fluctuate with economic growth and recession. However, data is not readily available for this elasticity measure. Therefore, the fiscal stability index is based on the presence of several fiscal policies that help a state address revenue shortfalls and control spending. Using 1984 data from *Significant Features of Fiscal Federalism 1985-1986 Edition*, points were assigned in the following manner:

- States received 10 points if they issue fiscal notes on the local government costs of proposed state policies.
- States received 10 points if they have a rainy day fund, ten points if the fund is subject to automatic appropriation and 2 points for every percentage point up to 5 percent of general revenues in their fund.
- States received 10 points if they require regular evaluation and sunset of programs.
- States received 20 points if they issue a tax expenditure budget.

Result Highlights

When looking at the total of fiscal stability and balance, some patterns emerge. While California, Indiana, Maryland, Michigan, Minnesota, Ohio and South Carolina look very good, states like Alaska, Montana, Nevada, New Hampshire, North Dakota and Texas hold the bottom positions. A number of these poor performers used energy tax revenues to avoid broadening their tax bases a decade ago, and now, as energy prices have fallen, are facing some fiscal difficulties.

The highest performers in the fiscal stability and balance section are Michigan, California, and South Carolina. Michigan, badly battered by the automotive recession has achieved a very stable revenue base in its highly cyclical economy.

The lowest ranking state, New Hampshire, with no personal income tax and no general sales tax, is forced to rely overly heavily on property taxes and other non-income and non-sales taxes. The next closest state, with almost 22 points more than New Hampshire's 31.9, is Alaska. Alaska is very dependent upon oil severance taxes as well as interest earnings and user taxes.

FISCAL STABILITY AND BALANCE

	Personal Income Tax *30 pts. maximum*	General Sales Tax *22.5 max.*	Property Tax *22.5 max.*	All Other Taxes *15 max.*
Alabama	16.1	22.5	16.7	11.6
Alaska	0.0	1.7	17.3	4.7
Arizona	14.4	22.5	22.5	15.0
Arkansas	22.2	22.5	21.5	14.7
California	26.3	22.5	22.5	15.0
Colorado	18.3	22.5	22.5	15.0
Connecticut	6.3	22.5	11.6	12.8
Delaware	30.0	0.0	17.8	9.5
Florida	0.0	22.5	22.5	12.9
Georgia	23.7	22.5	22.5	15.0
Hawaii	29.3	14.9	21.5	15.0
Idaho	24.3	22.5	22.5	15.0
Illinois	21.2	22.5	17.6	15.0
Indiana	22.8	22.5	22.5	15.0
Iowa	23.0	21.3	18.3	15.0
Kansas	18.8	20.0	22.2	15.0
Kentucky	25.4	22.2	20.7	11.0
Louisiana	7.5	22.5	18.2	11.5
Maine	21.5	22.5	18.0	15.0
Maryland	30.0	16.8	22.5	15.0
Massachusetts	30.0	16.7	18.6	15.0
Michigan	28.4	17.4	18.0	15.0
Minnesota	30.0	18.3	22.5	15.0
Mississippi	11.1	22.5	21.8	15.0
Missouri	22.4	22.5	22.5	15.0
Montana	15.2	0.0	17.0	12.5
Nebraska	15.3	21.6	19.1	15.0
Nevada	0.0	22.5	22.2	7.8
New Hampshire	2.3	0.0	0.0	9.7
New Jersey	16.4	19.2	12.6	14.3
New Mexico	3.0	22.5	15.5	14.8
New York	30.0	22.5	22.5	15.0
North Carolina	30.0	22.5	22.5	14.3
North Dakota	7.5	20.7	22.5	8.9
Ohio	29.3	22.5	22.5	15.0
Oklahoma	17.6	22.5	20.0	8.3
Oregon	30.0	0.0	17.1	15.0
Pennsylvania	26.1	19.8	22.5	11.1
Rhode Island	22.7	19.7	17.1	15.0
South Carolina	25.7	22.5	22.5	15.0
South Dakota	0.0	22.5	22.5	15.0
Tennessee	1.4	15.2	22.5	14.0
Texas	0.0	22.5	22.2	11.3
Utah	19.8	22.5	22.5	15.0
Vermont	21.6	13.2	17.4	13.5
Virginia	28.5	18.2	22.5	13.8
Washington	0.0	7.7	22.5	15.0
West Virginia	20.0	20.4	20.6	14.4
Wisconsin	30.0	21.2	22.5	15.0
Wyoming	0.0	15.2	19.1	11.4

	Fiscal Note *10 max.*	Rainy Day Fund Index *30 max.*	Program Eval. and Sunset *10 max.*	Tax Expenditure Budget *20 max.*	TOTAL *160 MAX.*
Alabama	10.0	0.0	10.0	0.0	86.8
Alaska	0.0	20.0	10.0	0.0	53.6
Arizona	10.0	0.0	10.0	20.0	114.4
Arkansas	10.0	0.0	0.0	0.0	90.9
California	10.0	16.0	0.0	20.0	132.3
Colorado	10.0	26.0	10.0	0.0	124.3
Connecticut	10.0	18.0	10.0	0.0	91.2
Delaware	0.0	16.0	10.0	0.0	83.3
Florida	10.0	12.0	0.0	0.0	79.9
Georgia	10.0	12.0	10.0	0.0	115.7
Hawaii	0.0	0.0	10.0	20.0	110.6
Idaho	10.0	0.0	0.0	0.0	94.3
Illinois	10.0	0.0	10.0	0.0	96.2
Indiana	10.0	26.0	10.0	0.0	128.8
Iowa	10.0	10.0	0.0	0.0	97.6
Kansas	10.0	0.0	10.0	0.0	95.9
Kentucky	10.0	10.0	0.0	0.0	99.3
Louisiana	10.0	0.0	10.0	20.0	99.6
Maine	0.0	10.0	10.0	20.0	117.0
Maryland	10.0	0.0	10.0	20.0	124.3
Massachusetts	10.0	0.0	0.0	20.0	110.3
Michigan	10.0	28.0	0.0	20.0	136.8
Minnesota	0.0	20.0	0.0	20.0	125.8
Mississippi	10.0	12.0	0.0	0.0	92.4
Missouri	10.0	0.0	0.0	20.0	112.4
Montana	10.0	0.0	10.0	0.0	64.6
Nebraska	10.0	14.0	0.0	20.0	115.0
Nevada	10.0	0.0	0.0	0.0	62.5
New Hampshire	10.0	0.0	10.0	0.0	31.9
New Jersey	10.0	0.0	0.0	0.0	72.5
New Mexico	10.0	16.0	10.0	0.0	91.7
New York	0.0	20.0	0.0	0.0	110.0
North Carolina	10.0	0.0	0.0	20.0	119.3
North Dakota	0.0	0.0	0.0	0.0	59.6
Ohio	10.0	26.0	0.0	0.0	125.3
Oklahoma	0.0	0.0	10.0	0.0	78.3
Oregon	10.0	0.0	10.0	0.0	82.1
Pennsylvania	10.0	16.0	10.0	0.0	115.5
Rhode Island	10.0	22.0	10.0	0.0	116.4
South Carolina	10.0	24.0	10.0	0.0	129.7
South Dakota	10.0	18.0	0.0	0.0	88.0
Tennessee	10.0	12.0	10.0	0.0	85.0
Texas	10.0	0.0	10.0	0.0	76.0
Utah	10.0	0.0	10.0	0.0	99.8
Vermont	0.0	0.0	10.0	0.0	75.7
Virginia	10.0	12.0	0.0	0.0	105.0
Washington	10.0	0.0	0.0	20.0	85.2
West Virginia	10.0	0.0	0.0	0.0	95.4
Wisconsin	10.0	0.0	0.0	20.0	118.7
Wyoming	10.0	20.0	10.0	0.0	85.6

Tax Fairness

States need to be concerned with *tax fairness* from two perspectives: treating taxpayers in the same circumstances equally (horizontal equity), and tailoring tax burdens to the ability to pay (vertical equity).

Fairness helps build political credibility for state and local governments, mitigating taxpayers' perceptions that the tax system benefits others at their expense. Horizontal equity also reinforces the neutrality of the tax system by minimizing the favorable treatment of certain economic activities or certain types of taxpayers. Thus, tax fairness can foster a sound business climate by buttressing government's capacity to deliver necessary services and placing all businesses on a level playing field. Finally, a fair tax policy should reduce taxes for taxpayers with limited income and shield the working poor and moderate income families from a regressive tax system

Six measures of tax fairness are included in this index. Points were based on 1983 data and employed the method used by John Shannon and Robert J. Kleine, of the Advisory Commission on Intergovernmental Relations, in their 1985 paper entitled *Characteristics of a Balanced State-Local Tax System* as well as information from *Significant Features of Fiscal Federalism*. Points were assigned on the following basis:

- States received 10 points for exempting food, 6 points for exempting utilities and 4 points for exempting drugs from sales tax or providing an income tax credit for these necessities. Several states received 4 points for partial exemptions of utilities. States with all these exemptions could receive up to 20 points. States that did not have a sales tax received 20 points.

- States received 5 points for sales taxation of services. A state received 5 points for the general taxation of most professional and personal services, 4 points for broad taxation of services, 3 points for substantial taxation of services, 2 points for narrow taxation of services, and 1 point for no (or little) taxation of services. (For more on this method and the definitions, see 1986 edition of *Significant Features of Fiscal Federalism*.)

- States received 20 points for a state financed circuit breaker available to all taxpayers, or 10 points if relief is limited to the elderly and disabled. A state received 6 points if a state-reimbursed low income homestead exemption is provided, and 4 points if circuit breaker relief is provided to renters or a state-reimbursed elderly and disabled homestead exemption exists.

- States received 35 points based on their score on the Shannon/Kleine test of property tax administration using intra-area and inter-area conformity of assessments, compliance with state law, and full assessment practices.

- States received 10 points if tax brackets, exemptions, credits and deductions are indexed to inflation. States with partial indexing received 5 points.

- States received 5 points if they have a zero tax bracket or use federal adjusted gross income definitions to exempt low income persons from income taxes.

Result Highlights

Tax fairness scores indicate that states have a lot of room to improve the fairness of their tax systems. While states scored fairly well in providing exemptions for necessities and property tax relief, uniform property tax administration scores were generally low and few states indexed their personal income tax. Only eleven states scored 50 or higher (out of a possible 95) while 23 states scored below forty. Oregon, Michigan, Maryland, Wisconsin and Iowa had the fairest taxes, scoring 75.4, 67, 65.1, 65 and 62.6 respectively. Alabama scored the lowest with 6.8 points. Also at the bottom of the list were Tennessee with 18.7 points, Mississippi with 18 points and North Carolina with 13.3.

TAX FAIRNESS

	Exempt Food Drugs, Utils. *20 pts. max.*	Sales Tax. of Servs. *5 max.*	State-Fin. Prop. Tax *20 max.*	Unif. Prop. Tax Assmnt. *35 max.*	PI Tax Indexing *10 max.*	0 Bracket or Fed AGI *5 max.*	TOTAL *95 MAX.*
Alabama	4.0	1.0	0.0	1.8	0.0	0.0	6.8
Alaska	0.0	3.0	4.0	26.8	0.0	0.0	33.8
Arizona	14.0	2.0	10.0	8.1	10.0	5.0	49.1
Arkansas	10.0	3.0	10.0	0.0	0.0	0.0	23.0
California	20.0	1.0	16.0	4.9	10.0	5.0	56.9
Colorado	20.0	1.0	10.0	7.4	5.0	5.0	48.4
Connecticut	20.0	2.0	14.0	10.0	0.0	0.0	46.0
Delaware	20.0	3.0	0.0	13.9	0.0	5.0	41.9
Florida	20.0	3.0	0.0	28.0	0.0	0.0	51.0
Georgia	4.0	1.0	0.0	13.9	0.0	5.0	23.9
Hawaii	10.0	5.0	4.0	10.0	0.0	5.0	34.0
Idaho	10.0	1.0	10.0	27.9	0.0	0.0	48.9
Illinois	14.0	1.0	10.0	17.2	0.0	5.0	47.2
Indiana	14.0	1.0	6.0	1.6	0.0	5.0	27.6
Iowa	14.0	3.0	16.0	24.6	0.0	5.0	62.6
Kansas	20.0	3.0	10.0	2.6	0.0	5.0	40.6
Kentucky	20.0	1.0	0.0	20.9	0.0	5.0	46.9
Louisiana	20.0	3.0	6.0	0.0	0.0	5.0	34.0
Maine	20.0	2.0	10.0	12.9	10.0	5.0	59.9
Maryland	16.0	1.0	20.0	23.1	0.0	5.0	65.1
Massachusetts	20.0	1.0	0.0	10.0	0.0	5.0	36.0
Michigan	14.0	1.0	20.0	27.0	0.0	5.0	67.0
Minnesota	10.0	1.0	20.0	8.3	10.0	5.0	54.3
Mississippi	4.0	3.0	6.0	0.0	0.0	5.0	18.0
Missouri	10.0	1.0	10.0	0.0	0.0	5.0	26.0
Montana	20.0	3.0	10.0	10.2	10.0	5.0	58.2
Nebraska	14.0	1.0	6.0	21.8	0.0	0.0	42.8
Nevada	20.0	1.0	10.0	10.3	0.0	0.0	41.3
New Hampshire	20.0	3.0	0.0	11.0	0.0	0.0	34.0
New Jersey	20.0	3.0	6.0	10.0	0.0	5.0	44.0
New Mexico	10.0	5.0	10.0	0.0	0.0	0.0	25.0
New York	20.0	3.0	20.0	0.0	0.0	5.0	48.0
North Carolina	5.0	2.0	0.0	6.3	0.0	0.0	13.3
North Dakota	20.0	1.0	14.0	1.0	0.0	0.0	36.0
Ohio	14.0	3.0	14.0	21.0	0.0	5.0	57.0
Oklahoma	10.0	1.0	10.0	0.0	0.0	0.0	21.0
Oregon	20.0	3.0	20.0	27.4	5.0	0.0	75.4
Pennsylvania	20.0	3.0	10.0	5.0	0.0	0.0	38.0
Rhode Island	20.0	1.0	10.0	9.4	0.0	0.0	40.4
South Carolina	20.0	2.0	4.0	0.0	10.0	0.0	36.0
South Dakota	4.0	5.0	10.0	8.8	0.0	0.0	27.8
Tennessee	8.0	3.0	0.0	7.7	0.0	0.0	18.7
Texas	20.0	3.0	0.0	5.0	0.0	0.0	28.0
Utah	8.0	3.0	10.0	9.4	0.0	0.0	30.4
Vermont	20.0	1.0	20.0	0.0	0.0	0.0	41.0
Virginia	10.0	1.0	0.0	31.9	0.0	5.0	47.9
Washington	20.0	4.0	0.0	23.3	0.0	0.0	47.3
West Virginia	20.0	4.0	10.0	0.0	0.0	5.0	39.0
Wisconsin	20.0	3.0	20.0	12.0	5.0	5.0	65.0
Wyoming	4.0	3.0	6.0	8.7	0.0	0.0	21.7

Fiscal Equalization

State policies to promote *equal fiscal capacity* among local governments are essential for a sound business climate. These policies increase the ability of all communities to provide a sufficient level and quality of services to firms and individuals. Furthermore, they reduce the opportunity for large property tax differentials between nearby communities to influence residential and firm location choices. More importantly, equalizing state fiscal aid can alleviate financial stress and high tax burdens in urban centers that have large service needs but less taxable wealth.

Fiscal equalization was measured by the extent to which state governments finance key service costs and provide revenue sharing aid to communities. Scores were based on 1983 data and employed the method used by John Shannon and Robert J. Kleine in their 1985 paper entitled *Characteristics of a Balanced State-Local Tax System*:

- States received .2 points for every percentage of total state and local welfare costs assumed by state government.
- States received .2 points for every percentage of total state and local health and hospital costs assumed by state government.
- States received 1 point for every percentage of total state and local education costs assumed by state government between 30 and 70 percent.
- States received 1 point for each percentage point its general revenue sharing contribution exceeds the U.S. average, up to a maximum score of 20 points.

Result Highlights

States scored moderately well on fiscal equalization. Over half (28 states) scored above 50 points with 18 of these scoring above 60. General revenue sharing was the weakest fiscal equalization factor for most states; only 16 states received any points in this category. Alaska led the nation with a score of 90.8 followed by New Mexico scoring 85.6. Three other states were above the 75 point mark: Mississippi, Delaware and Hawaii. Nebraska scored the worst, gaining only 26.6 points. Three other states with scores under 30 did only slightly better: New Hampshire, Oregon and South Dakota. These last three states also scored fairly low on the balanced revenue index, in part because they lack one or more of the three major state revenue sources. Without diversified and dependable sources of state funds, it is difficult for state governments to play a major role in equalizing local fiscal resources.

FISCAL EQUALIZATION

	Welfare % State-Financed *20 pts. maximum*	Health & Hosp. % State-Fin. *20 max.*	Local Educ. % State-Fin. *40 max.*	General Revenue Sharing *20 max.*	TOTAL *100 MAX.*
Alabama	19.0	9.2	40.0	0.0	68.2
Alaska	18.8	16.6	40.0	15.4	90.8
Arizona	9.6	8.4	26.0	7.0	51.0
Arkansas	19.0	9.2	32.0	0.0	60.2
California	19.4	8.4	40.0	0.2	68.0
Colorado	20.0	10.6	13.0	0.0	43.6
Connecticut	18.2	18.4	8.0	0.0	44.6
Delaware	20.0	19.8	40.0	0.0	79.8
Florida	17.2	6.2	28.0	0.0	51.4
Georgia	19.2	4.2	33.0	0.0	56.4
Hawaii	19.2	19.4	40.0	0.0	78.6
Idaho	15.6	7.4	36.0	0.0	59.0
Illinois	19.4	10.8	12.0	0.0	42.2
Indiana	13.6	7.0	27.0	1.0	48.6
Iowa	16.4	8.4	13.0	0.0	37.8
Kansas	18.8	10.0	15.0	0.0	43.8
Kentucky	19.0	14.4	40.0	0.0	73.4
Louisiana	19.0	10.8	35.0	0.0	64.8
Maine	19.4	17.6	24.0	0.0	61.0
Maryland	20.0	17.0	13.0	1.2	51.2
Massachusetts	19.2	14.2	11.0	20.0	64.4
Michigan	18.4	9.6	6.0	2.4	36.4
Minnesota	12.2	8.2	18.0	11.8	50.2
Mississippi	18.0	5.8	39.0	17.0	79.8
Missouri	19.6	9.4	12.0	0.0	41.0
Montana	13.2	13.6	19.0	0.0	45.8
Nebraska	15.2	10.4	1.0	0.0	26.6
Nevada	15.8	3.6	19.0	10.4	48.8
New Hampshire	9.4	19.0	0.0	0.0	28.4
New Jersey	19.0	11.8	11.0	13.6	55.4
New Mexico	18.4	13.2	40.0	14.0	85.6
New York	10.4	10.4	13.0	6.6	40.4
North Carolina	10.0	11.0	38.0	0.0	59.0
North Dakota	14.6	18.6	26.0	1.4	60.6
Ohio	17.8	12.0	15.0	0.0	44.8
Oklahoma	20.0	13.8	40.0	0.0	73.8
Oregon	15.2	13.2	1.0	0.0	29.4
Pennsylvania	19.6	15.8	17.0	0.0	52.4
Rhode Island	20.0	19.8	8.0	0.0	47.8
South Carolina	19.2	9.8	37.0	0.0	66.0
South Dakota	16.0	13.0	0.0	0.0	29.0
Tennessee	17.0	7.0	23.0	0.0	47.0
Texas	18.4	8.2	22.0	0.0	48.6
Utah	19.4	16.2	27.0	0.0	62.6
Vermont	19.8	19.2	7.0	0.0	46.0
Virginia	16.2	15.2	16.0	0.0	47.4
Washington	19.8	8.0	40.0	0.0	67.8
West Virginia	19.6	10.0	38.0	0.0	67.6
Wisconsin	17.6	8.0	10.0	20.0	55.6
Wyoming	19.0	5.6	1.0	20.0	45.6

Final Index Scores

California has the best overall score of 257.2 (out of a possible 355) followed by Maryland, Michigan, Wisconsin, Maine and South Carolina. Thus, the highest scorers include states from all major regions of the nation. Similarly, these states include ones with relatively high overall taxation levels (Wisconsin and Michigan), relatively low taxes (South Carolina) and average tax burdens (Maryland). New Hampshire is the low scorer by far. Its total of 94.3 points is approximately 65 percent of South Dakota -- which ranks closest at 49th. The next four lowest scorers are Tennessee, Nevada, Texas and Wyoming. Once again, north, south, east and west are all represented. Since the six lowest states all have below average tax levels, there seems to be a correlation between low overall tax burdens and poor score on this tax index. These results may reflect the fact that states with low tax burdens are less capable of financing policies to achieve fiscal equalization and tax fairness.

FINAL POINTS AND RANKINGS

State	Total Points *355 maximum*	Rank
Alabama	161.8	43
Alaska	178.2	37
Arizona	214.5	12
Arkansas	174.1	38
California	257.2	1
Colorado	216.3	11
Connecticut	181.8	34
Delaware	205.0	15
Florida	182.3	33
Georgia	196.0	26
Hawaii	223.2	9
Idaho	202.2	19
Illinois	185.6	31
Indiana	205.0	15
Iowa	198.0	25
Kansas	180.3	35
Kentucky	219.6	10
Louisiana	198.4	23
Maine	237.9	5
Maryland	240.6	2
Massachusetts	210.7	13
Michigan	240.2	3
Minnesota	230.3	7
Mississippi	190.2	29
Missouri	179.4	36
Montana	168.6	41
Nebraska	184.4	32
Nevada	152.6	46
New Hampshire	94.3	50
New Jersey	171.9	40
New Mexico	202.3	18
New York	198.4	23
North Carolina	191.6	28
North Dakota	156.2	44
Ohio	227.1	8
Oklahoma	173.1	39
Oregon	186.9	30
Pennsylvania	205.9	14
Rhode Island	204.6	17
South Carolina	231.7	6
South Dakota	144.8	49
Tennessee	150.7	48
Texas	152.6	46
Utah	192.8	27
Vermont	162.7	42
Virginia	200.3	21
Washington	200.3	21
West Virginia	202.0	20
Wisconsin	239.3	4
Wyoming	152.9	45